



9

**TCA, Inc.**  
**TELECOMMUNICATIONS CONSULTANTS**

April 11, 1996

Office of the Secretary  
Federal Communications Commission  
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

RECEIVED

APR 12 1996

FCC MAIL ROOM

Regarding: CC Docket No. 96-45

Dear Secretary:

Enclosed herewith for filing are the original and four copies of TCA, Inc. - Telecommunications Consultants comments regarding CC Docket No. 96-45, Notice of Proposed Rulemaking and Order Establishing Joint Board.

Sincerely,

*Randy Zach*  
Randy Zach

RZ/jl  
Enclosures

No. of Copies rec'd 004  
List ABCDE

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

RECEIVED  
APR 12 1996

FCC MAIL ROOM

In the Matter of )  
 )  
Federal-State Joint Board on ) CC Docket No. 96-45  
Universal Service )

COMMENTS OF TCA, INC. - TELECOMMUNICATIONS CONSULTANTS

TABLE OF CONTENTS

I.	Introduction . . . . .	3
II.	Goals and Principles of Universal Service Support Mechanisms . . . . .	3
III.	Support for Rural, Insular and High-Cost Areas and Low-Income Consumers . . . . .	4
	A. Goals and Principles . . . . .	4
	B. What Services to Support? . . . . .	4
	C. How to Implement? . . . . .	5
	D. Who is Eligible for Support? . . . . .	5
	E. Universal Service Fund Cap . . . . .	6
IV.	Schools, Libraries and Health Care Providers . . . . .	6

## TABLE OF CONTENTS - Continued

V.	Administration of the Support Mechanism . . . . .	6
A.	Who Should Contribute? . . . . .	6
B.	How Should Contributions Be Assessed? . . . . .	6
C.	Who Should Administer the New Fund? . . . . .	7
VI.	CONCLUSION . . . . .	7

## I. Introduction

TCA, Inc. - Telecommunications Consultants (TCA) files these Comments in response to the *Notice of Proposed Rulemaking and Order Establishing Joint Board (NPRM)* released in this docket on March 8, 1996. This proceeding is examining implementation of Section 254 of the Telecommunications Act of 1996 (Act).

TCA is a regulatory and financial consulting firm that provides services to Small Local Exchange Carriers (LECs) throughout the United States. The concerns of Small LECs and the customers they serve require special treatment. Support for the universal services listed in the *NPRM* need to continue. And, as the definition of universal services develops, it is intuitive that the support must also grow. New rules and changes to the current rules, if any, must not jeopardize universal service or the viability of incumbent LECs in these very rural and high-cost service areas.

## II. Goals and Principles of Universal Service Support Mechanisms

TCA generally agrees with the goals and principles outlined in the *NPRM*. Most Small LECs already adhere to these goals and principles or have plans to implement them. Specifically, many Small rural LECs offer access to quality services at reasonable rates, advanced services, universal and non-discriminatory policies, and Distance Learning and Telemedicine programs.

TCA agrees with Congress' intent of the Act to advance universal services and make them available at just and reasonable prices to all people on a nationwide basis.

### III. Support for Rural, Insular and High-Cost Areas and Low-Income Consumers

#### A. Goals and Principles

Any attempt at providing universal, modern telecommunications infrastructure, requires special treatment for these rural, insular and high-cost areas. (Sections 214(e) and 251 through 253 of the Act even set forth specific Rural exemptions from competition.) These rural areas do not have the ability to spread costs over a large amount of customers. Thus, the demands of keeping up with technological advances in telecommunications places an elevated financial burden on Small LECs as compared to Large LECs. The result is a requirement of increased support funds.

The principles leading to the design and operation of support mechanism for rural, insular and high-cost areas must take into account differences that exist with urban, low-cost areas.

Customers in the small rural areas should not be expected to pay the same rate as urban customers. Most urban areas have calling scopes that include necessary communities of interest such as schools, healthcare, business districts, and government offices. In many rural areas, these centers of business and commerce require toll calling. These toll calls should be taken into account when trying to compare urban rates to rural rates.

In high-cost areas, additional costs to bring advanced telecommunication and information services would increase the need for universal service funds to keep rates comparable. As these costs are added, the need for full support for the eligible telecommunications carriers (ETC) increases. In true high-cost areas, the probability of having more than one ETC is diminished. Universal service support must be directed to the lone ETC.

#### B. What Services to Support?

The services to include in the list for universal service support should come out of the process of comparing rural to urban services. Certainly, the proposed core services would meet the tests required by the Act and might need to be expanded to include equal access and enhanced E911. Services providing number portability requirements would also need to be considered.

The total amount of support required for each service can only be identified as the service and costing principles are identified. To try to calculate these amounts prior to full definition would be premature.

TCA endorses the continuation of programs such as Lifeline Assistance and Link Up America. We believe that these programs have and will continue to serve their original purpose.

C. How to Implement?

Rural and high-cost users would not even be served were it not for Small rural LECs offsetting the risk with universal service support. Certainly, those users outside the city limits generally are higher in costs than those users within city limits. Support must be based on the investment in facilities.

D. Who is Eligible for Support?

Only eligible telecommunications carriers can be offered universal service support. These "eligible" carriers must offer their services to the entire service area. Today, this is the incumbent's Study Area. In these rural areas, the Act requires that the State Commissions decide if a carrier is eligible based on what is in the public interest. TCA believes that only facilities based carriers that provide universal service should be eligible for support and not resellers.

#### E. Universal Service Fund Cap

At paragraph 40 of the *NPRM*, the FCC requests comment on extension of the current cap on the Universal Service Fund (USF). It is scheduled to expire on July 1, 1996. Any attempt to curtail the fund (which has proven to promote universal service) seems to be contrary to the new emphasis of the Act on advancing technology through "sufficient" support programs. The fund must continue to grow at its historically reasonable rate. Concern that the fund was growing at an excessive rate is not warranted in light of recent years' experience. The cap is not even in effect for 1996 USF amounts. The cap should be allowed to expire.

#### IV. Schools, Libraries, and Health Care Providers

TCA considers advanced telecommunications services a high priority for schools, libraries, and health care providers. Small rural LECs have an outstanding track record of providing advanced services to these institutions. These organizations are vital to community development and survival. TCA suggests having a separate fund to provide support for specific institutions' telecommunications needs. This fund would be very similar to the Lifeline Assistance and Link Up America programs.

#### V. Administration of the Support Mechanism

##### A. Who Should Contribute?

TCA advocates that all telecommunications providers should contribute to the new fund.

##### B. How Should Contributions Be Assessed?

Contributions to the new fund should be assessed based on an approach similar to the

Telecommunications Relay Service fund (TRS). This means that the basis would be gross interstate revenues. To carry this further, a single form could suffice for both TRS and USF and could aid in paperwork reduction.

C. Who Should Administer the New Fund?

NECA should continue to collect and distribute the funds. They have the experience with the current Federal USF and also are administrators for the state universal service fund in Vermont. They also have an established database already in place.

NECA employs a strict system of checks and balances through their internal audits, certification processes, cost study verification procedures, and independent audits performed by Certified Public Accountants. TCA can attest to NECA's history of improving its operations and procedures for the benefit of all involved. Allowing a new administrator would only spawn additional unnecessary start-up costs, not to mention duplicating oversight expenditures which, as mentioned previously, NECA already has in place.

## VI. CONCLUSION

Small rural LECs with high costs will need to continue to receive support to abide by the Act's mandated universal service requirements. The makeup of universal services will expand in the wake of technological advances. With these changes comes additional costs which Small LECs need to recover through current and proposed mechanisms. The support need will be ongoing.

If the Commission decides to modify the current support mechanisms, an appropriate transition period is needed. The Small LECs cannot afford to see these support mechanisms

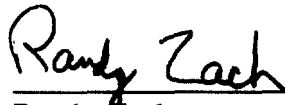


change immediately. Transition periods have proven useful in the past (e.g. Subscriber Plant Factor, Weighted Dial Equipment Minutes, and USF payments) and should be utilized for any changes that come about as a result of the Act. Existing universal service revenues flowing to Small rural LECs must be maintained, so customers in rural America can continue receiving quality telecommunications services. It is well known in the industry today, that Small rural LECs provide excellent service. The present system is working well. The record speaks for itself.

TCA recommends that a Further Notice of Proposed Rulemaking (FNPRM), or series of FNPRMs, arise out of these proceedings in order to establish specific rules. When actual rules are presented, then we can comment on their practicality. This is especially crucial to Small rural LECs who may be adversely affected by impulsive rulemaking. Through this process, many of the details can be worked out to provide consistent and equitable treatment for all LECs. Moreover, additional time is needed to evaluate concrete rules and their impacts on the telecommunications industry.

Respectfully submitted,

TCA, Inc.

  
\_\_\_\_\_  
Randy Zach  
TCA, Inc.  
3617 Betty Drive, Suite I  
Colorado Springs, CO 80917

April 12, 1996